

5 February 1962

MEMORANDUM FOR [] OSO

SUBJECT: Mr. Helms' draft memo to DDCI re [] Project

I would suggest that paragraph 5 be amended as follows:

1. In paragraph b. before the last clause, substitute:

CIA to agree to supply two US technicians to assist in building the machine and [] to agree to their services.

2. That paragraph c. be deleted and the following be substituted:

- c. CIA further to agree that, commencing on the first of the month following the delivery of the initial machine, we will provide a subsidy to the [] group of \$1,000 a month for not less than one year to defray part of the costs of further research and development of cryptograph devices, in return for which the U.S. Government, etc. (as in present c.)

Also, add a new sentence immediately preceding the last sentence of the present c., as follows:

It is to be agreed that prior to the expiration of the year in which the subsidy is paid, the relationship will be reviewed with a view to determining whether the subsidy should be continued, both parties ^{then} expressing a desire to have it continued for a longer period.

3. Add a new d. before the present d. to read as follows:

- d. The proposed agreement should contain a clause authorizing the US Government to purchase further [] machines from

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the [] group if the US so elects at a cost not to exceed the cost to us of the first machine or to duplicate in America the machine for its own use upon payment to [] of a royalty to be negotiated of [] per machine.

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4. The above would change the present d. to e., and I would add at the end of it "at the time the first machine is delivered."
5. I would eliminate the present e. entirely.

Stuart Hedden
Inspector General

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Orig to
Mr. []
Handed to him by SA 7/5/52